

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

***South Haven Regional Airport Authority***  
***Allegan County, Michigan***  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
South Haven Regional Airport Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Haven Regional Airport Authority as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Haven Regional Airport Authority as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The South Haven Regional Airport Authority has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Siegfried Crandall P.C.*

December 2, 2005

## **BASIC FINANCIAL STATEMENTS**

**South Haven Regional Airport Authority**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2005

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 207,212	\$ -	\$ 207,212
Accounts receivable, net	108,639	-	108,639
Inventory	9,900	-	9,900
Prepaid expense	<u>2,296</u>	<u>-</u>	<u>2,296</u>
Total current assets	328,047	-	328,047
Non-current assets:			
Capital assets, net	<u>-</u>	<u>3,997,543</u>	<u>3,997,543</u>
Total assets	<u>\$ 328,047</u>	<u>3,997,543</u>	<u>4,325,590</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,068	-	2,068
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance - unreserved, undesignated	<u>325,979</u>	<u>(325,979)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 328,047</u>		
Net assets:			
Investment in capital assets		3,997,543	3,997,543
Unrestricted		<u>325,979</u>	<u>325,979</u>
Total net assets		<u>\$ 4,323,522</u>	<u>\$ 4,323,522</u>
<b>Total fund balance</b>			\$ 325,979
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets are not financial resources and are not reported in the fund.			<u>3,997,543</u>
<b>Total net assets</b>			<u>\$ 4,323,522</u>

See notes to financial statements

**South Haven Regional Airport Authority**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE/STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public works	\$ 169,381	\$ 102,401	\$ 271,782
Capital outlay	<u>932,718</u>	<u>(932,718)</u>	<u>-</u>
Total expenditures/expenses	<u>1,102,099</u>	<u>(830,317)</u>	<u>271,782</u>
<b>PROGRAM REVENUES</b>			
Intergovernmental	189,710	-	189,710
Rentals	61,624	-	61,624
Other	<u>54,377</u>	<u>-</u>	<u>54,377</u>
Total program revenues	<u>305,711</u>	<u>-</u>	<u>305,711</u>
<b>CAPITAL GRANTS</b>	<u>920,370</u>	<u>-</u>	<u>920,370</u>
<b>NET PROGRAM REVENUES</b>	<u>123,982</u>	<u>830,317</u>	<u>954,299</u>
<b>GENERAL REVENUES</b>			
Interest	<u>947</u>	<u>-</u>	<u>947</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	124,929	830,317	955,246
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>201,050</u>	<u>3,167,226</u>	<u>3,368,276</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 325,979</u>	<u>\$ 3,997,543</u>	<u>\$ 4,323,522</u>
Net change in fund balance			\$ 124,929

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays (\$932,408) exceeded depreciation (\$102,091).

	<u>830,317</u>
Change in net assets	<u>\$ 955,246</u>

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Haven Regional Airport Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority established by Casco Township, City of Bangor, City of South Haven, Covert Township, Geneva Township, and South Haven Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The City of South Haven has transferred ownership of the South Haven Municipal Airport and all airport facilities owned by the City to the Authority. In the event the Authority ceases to exist, or if the land and other assets are no longer used in airport operations, title to all properties shall revert to the City of South Haven.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

*c) Assets and liabilities:*

- i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.
- ii) Capital assets* - Capital assets, which include land, runways, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

c) *Assets and liabilities* (continued):

- ii) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Airport facility	40 - 50 years
Runways and improvements	40 - 50 years
Equipment	10 - 20 years
Vehicles	5 - 10 years

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General operating	Capital outlay	Capital outlay	\$ -	\$ 932,718	\$ (932,718)

**NOTE 3 - CASH:**

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, \$81,638 of the Authority's bank balances of \$209,773 was exposed to custodial credit risk because it was uninsured.

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Authority for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated				
- land	\$ 83,880	\$ -	\$ -	\$ 83,880
Capital assets being depreciated:				
Buildings	749,523	-	-	749,523
Runways and improvements	2,876,365	932,408	-	3,808,773
Equipment	154,224	-	-	154,224
Vehicles	35,000	-	-	35,000
Subtotal	<u>3,815,112</u>	<u>932,408</u>	<u>-</u>	<u>4,747,520</u>
Less accumulated depreciation for:				
Buildings	(134,072)	(15,533)	-	(149,605)
Runways and improvements	(548,053)	(73,358)	-	(621,411)
Equipment	(37,566)	(10,050)	-	(47,616)
Vehicles	(12,075)	(3,150)	-	(15,225)
Subtotal	<u>(731,766)</u>	<u>(102,091)</u>	<u>-</u>	<u>(833,857)</u>
Total capital assets being depreciated, net	<u>3,083,346</u>	<u>830,317</u>	<u>-</u>	<u>3,913,663</u>
Governmental activities capital assets, net	<u>\$ 3,167,226</u>	<u>\$ 830,317</u>	<u>\$ -</u>	<u>\$ 3,997,543</u>

**NOTE 5 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

## REQUIRED SUPPLEMENTARY INFORMATION

**South Haven Regional Airport Authority**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Federal grants	\$ -	\$ -	\$ 831,482	\$ 831,482
State grants	-	-	88,888	88,888
Intergovernmental	221,179	221,179	189,710	(31,469)
Interest and rentals	62,423	62,423	62,571	148
Other	57,107	57,107	54,377	(2,730)
 Total revenues	<u>340,709</u>	<u>340,709</u>	<u>1,227,028</u>	<u>886,319</u>
 <b>EXPENDITURES</b>				
Public works:				
Cost of sales	42,870	42,870	41,306	1,564
Payroll and fringe benefits	52,777	52,777	51,368	1,409
Operating supplies and expenses	17,297	17,297	15,837	1,460
Repairs and maintenance	39,380	39,380	34,114	5,266
Professional services	2,500	2,500	4,560	(2,060)
Utilities	7,320	7,320	8,150	(830)
Insurance	12,537	12,537	14,046	(1,509)
 Total public works	<u>174,681</u>	<u>174,681</u>	<u>169,381</u>	<u>5,300</u>
 Capital outlay	<u>-</u>	<u>-</u>	<u>932,718</u>	<u>(932,718)</u>
 Total expenditures	<u>174,681</u>	<u>174,681</u>	<u>1,102,099</u>	<u>(927,418)</u>
 <b>NET CHANGES IN FUND BALANCE</b>	<u>166,028</u>	<u>166,028</u>	<u>124,929</u>	<u>(41,099)</u>
 <b>FUND BALANCE - BEGINNING</b>	<u>201,050</u>	<u>201,050</u>	<u>201,050</u>	<u>-</u>
 <b>FUND BALANCE - ENDING</b>	<u>\$ 367,078</u>	<u>\$ 367,078</u>	<u>\$ 325,979</u>	<u>\$ (41,099)</u>

## FEDERAL AWARDS

**South Haven Regional Airport Authority**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2005**

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
Federal Aviation Administration:		
Passed through Michigan Department of Transportation:		
Airport Improvement Program	20.106	\$831,482

- NOTES: 1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- 2) The Airport Improvement Program was administered by the Michigan Department of Transportation; therefore, it was not subject to the requirements of OMB Circular A-133.